General Fund
and Transportation Fund
Budget Projections
FY 00

Connecticut General Assembly
Office of Fiscal Analysis
April 3, 2000

Report Highlights

- **FY 00 General Fund surplus** has grown by $200.3 million from the $64.4 million originally budgeted to **$264.7 million** (up $17.6 million from our February estimate). See **pages 3 – 13** for details.

- **FY 00 Transportation Fund operating surplus** has grown by $40.8 million from the $52.9 million originally budgeted to **$93.7 million** (up $1.3 million from our February estimate). See **pages 14 – 17** for details.

General Fund and Transportation Fund Budget Projections for FY 00

(as of April 3, 2000)

I. General Fund

Our projections for the fiscal year ending June 30, 2000 indicate the **potential surplus has grown** by $200.3 million from the $64.4 million originally budgeted **to $264.7 million** (which represents 2.5% of the original budget). This is an increase of $17.6 million from our February estimate. The $200.3 million increase is based on revised **estimated revenues** that **are $297.6 million above the budget act estimates** and **estimated expenditures** that **are $97.3 million higher than original net appropriations.** While the projected General Fund surplus is $264.7 million, **there is a potential for reductions to this estimate to the degree that additional account balances, that would otherwise lapse, are authorized to be carried forward into FY 01.** Our projections assume that $19.6 million will be carried forward from FY 00 into FY 01 based on potential back-of-budget language and the provisions of other legislation which may be enacted. Final action on the budget may increase or decrease this amount and could have the corresponding impact of decreasing or increasing the FY 00 lapse.

For example, our projections anticipate that the Department of Labor (DOL) will lapse $10.1 million in the Welfare-to-Work Grant program and $8.2 million in the Jobs First Employment Services program. It should also be noted that our projections do not include any additional funding for the UConn Health Center. If either the DOL funding is carried forward rather than lapsed, or if additional funding is provided to the Health Center, our projected surplus would be reduced.

Revenues

A net increase in General Fund revenue of $297.6 million (up $21.6 million from our February statement) results primarily from an increase in (1) the personal income tax, (2) sales tax, (3) inheritance and estate tax, (4) oil companies tax, (5) real estate conveyance tax, (6) Indian gaming payments, (7) federal grants, and a decrease in (8) the corporation business tax.

These estimates may change, as additional income tax collection data is available. Taxpayers have until April 18th to file their 1999 income tax return; therefore complete collection data will not be known until the first week in May.

(1) The **income tax** estimate is $175.4 million (no change from our February statement) above budget plan projections: $130.4 million as a result of higher collections and $45 million from lower-than-anticipated refunds. The revision in the estimate is due to the following factors:

a) Withholding taxes through March exceeded estimates: collections grew at 8.6% while the budget plan projected 7.3% growth. Therefore collections have been revised upward by $35 million over the budget plan estimate.

b) Estimated payments through March exceeded projections: collections grew by 4.0% while the budget plan projected no growth. Fourth quarter estimates, due by January 15th, were the primary reason why actual collections exceeded projections though the first half of the fiscal year. Actual payments in December and January exceeded estimates by $32 million. A drop in the stock market in August and September followed by strong growth in the fourth quarter, especially in the Nasdaq, fueled capital gain income during this period.

c) Final payments have been increased by $63 million over budget plan estimates due to the strength of 1999 estimated payments. Historically, higher estimated payments have equaled higher final payments. Therefore, since estimated payments are above budget plan estimates, final payments due by April 2000 have been increased over the budget plan.

d) Refunds have been reduced by $45 million to reflect that total tax liability for 1999 is expected to be greater than anticipated compared to the budget plan estimates. Actual receipts and projected higher final payments signal that taxpayer's liability will be greater than original projections, which is anticipated to result in lower refund payments. Also, since FY 99 refunds were less than originally estimated at the time when the 1999-2001 biennial budget was enacted, a corresponding adjustment has been made to FY 00 refunds.

(2) The **sales tax** estimate is $24.4 million (no change from our February statement) above budget plan estimates. The revised estimates reflect year-to-date collections, which are running ahead of estimates by $10 million. It is projected that this higher level of sales activity will continue through the end of the fiscal year.

(3) The increase in the **inheritance and estate tax** of $26.3 million (down $6 million from our February statement) is due to year-to-date collections. Year-to-date collections continue to support the assumption that the growth in the value of estates caused by increasing stock portfolios and other assets such as housing prices is negating the anticipated revenue loss from the elimination of the tax on lower valued estates.

(4) The **oil companies' tax** has been increased by $34 million (up $22 million from our February statement) to reflect year-to-date collections. Collections have been stronger this year because oil prices have more than doubled compared to a year ago.

(5) The increase in **the real estate tax** of $9.8 million (no change from our February statement) is due to the growth in housing activity and rise in prices. Compared to 1997 figures, housing permits have increased by 1,400 in each of the last two years and real estate prices grew by 5.5% in 1999.

(6) **Indian gaming payments** have been increased by $13.3 million (no change from our February statement) based on year-to-date payments that are up by $9.3 million ($6 million for Foxwoods and $3.3 million for Mohegan Sun).

(7) **Federal Grants** have grown by $32 million (no change from our February statement) as a result of increased state expenditures for programs reimbursed through a federal match. Two programs, Medicaid services and foster care payments, account for $28 million of the total.

(8) The **corporation business tax** is down $53.3 million (no change from our February statement): $23.3 million as a result of lower collections and $30 million from higher-than-anticipated refunds. The final FY 99 collections were approximately $30 million lower than the amount estimated when the FY 00 budget plan was adopted. The increase in refunds reflects the growth in the amount of corporation tax credits claimed. The amount of credits claimed doubled this past year mainly due to the credit for Research and Development expenses.

All of the other changes to various tax and other revenue sources have been adjusted to reflect year-to-date collections through March.

Expenditures

Lapse/Deficiency

Expenditure requirements are estimated to be $97.3 million higher than budgeted due primarily to estimated deficiency appropriations of $66.7 million and the $50 million loss of savings associated with the State Information Technology (IT) Privatization. The major area requiring a deficiency appropriation is the Department of Social Services (DSS) ($32.5 million) and this is due to: (1) slightly higher expenditures for long-term care than were initially forecasted in the Medicaid budget; and (2) the failure to achieve significant savings initiatives originally forecasted in the budget. The initiatives are related to the contracting of pharmaceutical services and the limitation of payments to providers of services to dual-eligible (Medicare and Medicaid) clients. Also, projected payments for two non-budgeted accounts are factored in: Adjudicated Claims of $4 million and Refunds of Escheated Property at $10 million. At this point, the $86 million in unallocated lapses anticipated by the budget has been identified and exceeded by $12.2 million for a total of $98.2 million. A summary of and explanations for General Fund lapsing appropriations can be found beginning on **page 9**.

The agencies with deficiency requirements are listed below. (Details of the deficiencies may be found in the fiscal note to sHB 5216, File 356.)

FY 00 Deficiency Requirements	
Agency	**Amount**
Dept. of Environmental Protection	$500,000
Dept. of Mental Retardation	6,200,000
Dept. of Mental Health and Addiction Services	5,700,000
Dept. of Social Services	32,500000
Dept. of Correction	9,500,000
Dept. of Children and Families	7,300,000
Judicial Dept.	3,000,000
Workers' Compensation Claims – DAS	2,000,000
Total FY 00 Deficiency Requirements	**$66,700,000**

State Information Technology (IT) Privatization

The 1997-1999 biennial budget (passed in June 1997) included $50 million in annual savings beginning in FY 99 from "Agency Statewide Functional Consolidation," which are savings claimed as the result of privatizing or outsourcing the state's information technology (IT) business to a private company. The contractor was originally expected to assume operations by January 1998. The budgeted savings for FY 99 was not changed by the legislature during the 1998 session and remained at $50 million, because the administration indicated that the contract would take effect by January 1999, and that $50 million in savings could be achieved in one-half year. On December 30, 1998, the administration announced that it had selected Electronic Data Systems (EDS) as the private computer firm, and continued negotiating the contract throughout the 1999 session. On June 28, 1999, 10 days after the 1999-2001 biennial budget became law, the state's chief information officer announced that a contract could not be reached and that the privatization effort would be abandoned. Instead, the state will explore outsourcing individual IT applications on an agency-by-agency basis. Therefore, it is anticipated that none of the $50 million in IT savings budgeted in each of FY 00 and FY 01 will be realized.

Hiring Freeze and Allotment Reductions

The governor anticipates that the hiring freeze (announced on 9/1/99) and the allotment reductions (announced 9/8/99) will save $21.2 million in the General Fund. He anticipates that the hiring freeze will cut 200 jobs and save $4 million and that the allotment reductions will save $17.2 million. It should be noted that these savings are intended to be in addition to the $24.6 million anticipated to be realized in the original budget plan from General Personal Services Reductions ($13.6 million) and General Other Expenses Reductions ($11 million).

Estimated Lapses

The original lapse savings of $110.6 million associated with unallocated lapses and Personal Services and Other Expenses holdbacks is anticipated to be achieved by the end of the fiscal year. The $86 million in unallocated lapses anticipated by the budget has already been identified and exceeded by $12.2 million for a total of $98.2 million.

It should be noted that $18.3 million of our $19.3 million projected lapse in the Department of Labor is related to the Jobs First Employment Services program ($8.2 million) and the Welfare to Work program ($10.1 million). This lapse would not be achieved if these funds were carried forward into FY 01. SA 99-10 (the appropriations act) carried forward $13.7 million for these programs from FY 99 into FY 00, which resulted in these funds not lapsing on June 30, 1999.

FY 00 General Fund Summary
as of April 3, 2000
(in millions)

	Budget Plan	Increases (Decreases)	Revised Estimates
Revenues			
Taxes	$ 7,825.8	$ 226.3	$ 8,052.1
Other Revenue	932.7	38.3	971.0
Other Sources	1,887.5	33.0	1,920.5
Total Revenue	**$ 10,646.0**	**$ 297.6**	**$ 10,943.6**
Appropriations			
Original Appropriations – Gross	$ 10,742.2	$ 0.0	$ 10,742.2
Less:			
Estimated Budgeted Lapses	(86.0)	(12.2)	(98.2)
General PS and OE Reductions	(24.6)	0.0	(24.6)
Allotment Reductions	0.0	(21.2)	(21.2)
Statewide Agency Functional Consolidation (IT Priv.)	(50.0)	50.0	0.0
Subtotal - Lapses / Reductions	(160.6)	16.6	(144.0)
Plus:	0.0	0.0	0.0
Estimated Deficiency Appropriations	0.0	66.7	66.7
Estimated Adjudicated Claims	0.0	4.0	4.0
Estimated Refunds of Escheated Property	0.0	10.0	10.0
Total Estimated Expenditures	**$ 10,581.6**	**$ 97.3**	**$ 10,678.9**
Projected Surplus from Operations for FY 00	**$ 64.4**	**$ 200.3**	**$ 264.7**
Transfer to Fully Fund the Budget Reserve Fund [1]			**(35.1)**
Remaining Balance (Unappropriated Surplus) to Debt Retirement [2]			$ **229.6**

[1] This $35.1 million addition increases the amount in the Budget Reserve Fund (BRF) from $529.1 million to $564.2 million. This keeps the BRF at the statutory limit of 5% of the net General Fund appropriations for FY 01 as represented by the average of the Senate and House versions of the budget.

[2] The remaining balance (unappropriated surplus) will be used for debt retirement in accordance with the constitutional amendment adopted November 25, 1992, unless otherwise appropriated by the General Assembly, and approved by at least a three-fifths majority in each house.

FY 00 General Fund Revenue
as of April 3, 2000
(in thousands)

Taxes	**Budget Plan Growth Rate % [1]**	**Budget Plan FY 00 Estimate**	**OFA Over/(Under) Budget Plan**	**OFA Estimate Growth Rate % [1]**	**OFA Estimate FY 00 Estimate**
Personal Income	5.2	$ 3,974,600	$ 130,400	8.6	$ 4,105,000
Sales and Use	5.8	3,028,600	24,400	6.1	3,053,000
Corporations	4.7	573,300	(23,300)	5.0	550,000
Inheritance and Estate	4.0	197,700	26,300	21.2	224,000
Hospital Gross Receipts	(2.2)	79,600	6,400	(2.3)	86,000
Public Service Corporations	2.1	170,300	0	1.6	170,300
Insurance Companies	4.1	199,200	0	2.3	199,200
Cigarettes	(2.5)	121,900	(2,900)	(1.2)	119,000
Oil Companies	2.1	18,000	34,000	31.6	52,000
Real Estate Conveyance	(2.6)	100,200	9,800	3.1	110,000
Alcoholic Beverages	0.0	40,000	0	(0.7)	40,000
Miscellaneous	3.5	39,300	2,700	3.5	42,000
Admissions, Dues and Cabaret	2.0	24,600	1,400	1.5	26,000
Total Taxes		**$ 8,567,300**	**$ 209,200**		**$ 8,776,500**
Refunds of Taxes		(741,500)	17,100		(724,400)
Net General Fund Taxes		**$ 7,825,800**	**$ 226,300**		**$ 8,052,100**
Other Revenue					
Transfer Special Revenue		$ 250,000	$ 11,000		261,000
Indian Gaming Payments		306,700	13,300		320,000
Licenses, Permits and Fees		124,000	1,000		125,000
Sales of Commodities and Services		32,000	0		32,000
Rentals, Fines and Escheats		35,000	5,000		40,000
Investment Income		70,000	(5,000)		65,000
Miscellaneous		115,000	13,000		128,000
Total Other Revenue		**$ 932,700**	**$ 38,300**		**$ 971,000**
Other Sources					
Federal Grants		$ 1,989,500	33,000		$ 2,022,500
Transfer from Tob. Settlement Fund		78,000	0		78,000
Transfer to Other Funds		(180,000)	0		(180,000)
TOTAL - OTHER SOURCES		**$ 1,887,500**	**$ 33,000**		**$ 1,920,500**
TOTAL REVENUE		**$ 10,646,000**	**$ 297,600**		**$ 10,943,600**

[1] Tax growth rates reflect adjustments for rate and base changes.

Summary of FY 00 General Fund Lapsing Appropriations

Agency		Amount (in millions)		
Status of Budgeted Lapses:				
Office of Policy and Management	$	4.8		
Department of Labor		19.1		
Department of Economic Development		1.3		
Department of Public Health		1.7		
Department of Mental Retardation		2.0		
Department of Mental Health and Addiction Services		2.3		
Department of Social Services		29.8		
Department of Education		2.0		
Department of Correction		1.7		
Department of Children and Families		1.3		
Debt Service		14.5		
Unemployment Compensation		1.0		
Employers Social Security Tax		4.0		
State Employees Health Service Cost		6.0		
Total - Significant Identified Lapsing Appropriations	$	91.5		
Other Identified Lapses (less than $1 million each)		6.7		
Subtotal			$	98.2
General Personal Services and Other Expenses Reductions:				
Personal Services Holdbacks	$	13.6		
Other Expenses Holdbacks		11.0		
Subtotal				24.6
Allotment Reductions				21.2
Agency Statewide Functional Consolidation*				-
Total Projected Lapse			**$**	**144.0**

* See **page 5** for an explanation.

FY 00 Potential Significant General Fund Lapsing Appropriations

Agency / Explanation	Lapsing Amount

Office of Policy and Management **$4,800,000**

OFA projections indicate that OPM will lapse approximately $4.8 million of which $2.9 million will occur in the following programs:

The Elderly Homeowners Property Tax Relief account is expected to lapse $1.7 million due to two factors; level of participation and postponement of revaluation. (Also, a FAC transfer from this account reduced the "surplus" funds by $1.1 million.) The account was budgeted based on increased participation due to publicity from Rebate '98, which did not occur. One possible explanation is the newly eligible population has income levels above the current thresholds. Additionally, original budget estimates anticipated revaluation in municipalities such as Bridgeport, Waterbury and Naugatuck that opted to postpone their revaluations.

The PILOT for New Manufacturing Machinery and Equipment account is expected to lapse $.7 million. This lapse is due to the fact that $1.5 million was FAC transferred to this account and then additional audit adjustments were made in the account, which lowered expenditures.

The Tax Relief for Elderly Renters account is expected to lapse $508,000. This is due primarily to the fact that original budget estimates anticipated revaluation in municipalities such as Bridgeport, Waterbury and Naugatuck that opted to postpone their revaluations.

Department of Labor **$19,100,000**

The Department of Labor will lapse approximately $19.1 million in FY00. The Connecticut Employment and Training Commission workforce development initiatives (a new program) will lapse $1,000,000. The Jobs First Employment Services program will lapse approximately $8,200,000 out of an available appropriation of $23,340,477 for FY 00. Expenditures are $9,590,771 for the first eight months of FY 00. Based on previous spending, funds spent will increase to over a million dollars on a monthly basis. June of FY 00 should show the largest amount of expenditure as payments for performance contracts are made. The Welfare to Work program will lapse approximately $10,100,000 out of an available appropriation of $16.9 million. During the first eight months of FY 00, an amount of $4,166,601 has been spent.

Department of Economic and Community Development **$1,300,000**

A net lapse of $1.3 million is anticipated in the Department of Economic and Community Development due to programmatic delays in the accounts that fund congregate housing and assisted living. The Assisted Living Demonstration Project, which received full operational funding in FY00, has not yet begun operation as the assisted living facilities have yet to be constructed.

Department of Public Health **$1,700,000**

A total lapse of approximately $1.7 million is projected for the Department of Public Health and is primarily due to the hiring freeze ($1.5 million).

Department of Mental Retardation **$2,000,000**

It is anticipated that the Department of Mental Retardation will lapse approximately $2 million in FY 00 from various department accounts. This represents .4% of the department's original FY 00 appropriation. The lapse is primarily due to a delay in placements and services funded through the Community Residential Services and Employment Opportunities and Day Services accounts. Funding of over $11 million was provided in FY 00 to support new development for services to individuals on the residential wait list, aging out of the Department of Children and Families and Local Education Authorities, and placements/services for Southbury Training School clients moving into the community.

Department of Mental Health and Addiction Services **$2,300,000**

It is anticipated that the Department of Mental Health and Addiction Services will have a net lapse of approximately $2.3 million. This is primarily due to delayed implementation of new services in the Pre-Trial Drug Education program and the TBI Community Services program. The lapse figure also reflects corrective actions taken in two accounts (Drug Treatment for Schizophrenia and Workers' Compensation) that were in excess of the current anticipated demand.

Department of Social Services **$29,800,000**

Our projections indicate that the Department of Social Services will lapse $29.8 million (net of anticipated transfers) primarily in the following programs:

HUSKY ($5.1 million) – OFA currently estimates a $5.1 million lapse in the HUSKY B Program, the state's health care program that provides insurance for children not eligible for Medicaid. Budgeted enrollment was forecasted to begin the fiscal year at 6,300 cases and end the year at 11,800 cases. Actual enrollment for the first eight months of the fiscal year was approximately 6,000 cases with an estimated year-end enrollment of 8,051 cases. This reduction in caseload is expected to result in a surplus of $3.8 million in the account. An additional savings of $1.3 million will result from lower than expected expenditures for the HUSKY Plus Program. OFA is forecasting a $5.1 million total surplus in the $14.5 million health care account.

Child Care Services ($14.7 million) - The Department of Social Services is projected to lapse $14.7 million (after anticipated transfers) of the $137.3 million appropriated to the combined Child Care Services accounts due to lower than anticipated caseloads. Enrollment in the second largest segment of Child Care Services – Work Related Child Care – which serves those working while on time-limited assistance, is significantly below expected levels. Work Related Child Care was originally budgeted at a monthly average of 7,000 cases for the first six months of the fiscal year, yet is 51% lower at an average of 3,464 cases for the period. However, the caseload for those who need childcare after TFA benefits expire and receive Transitional Child Care or Child Care Certificates is at projected levels. The lapse would be larger if it were not for slightly higher than budgeted costs per case in all areas of Child Care Services.

Temporary Assistance to Families (TFA) ($9.1 million) - OFA currently estimates a surplus of approximately $9.1 million in this account due to lower than anticipated caseloads through the first eight months of the fiscal year. Since the state restructured the welfare-related programs in 1996, the cash assistance caseload under the TFA program has been steadily declining. The FY 00 TFA appropriation was based on an estimated annual monthly average paid caseload of 32,196. However, the continued rate of decline during the end of FY 99 and the first six months of FY 00 now indicates that the caseload will average approximately 30,800 paid cases monthly.

Department of Education **$2,000,000**

Our projections indicate the Department of Education will lapse approximately $2 million through a combination of lapses totaling $5.5 million, partially offset by deficiencies totaling $3.5 million.

The gross lapse of $5.5 million is comprised of: $3.5 million in the ECS grant largely due to prior year adjustments and audits of pupil counts; approximately $500,000 in the School Transportation grant due to actual school district expenditures being lower than originally reported by the districts in this reimbursement account; $850,000 in the Charter School account due to the closing of the Village Academy in New Haven and lower pupil attendance in other charter schools than was originally reported by the schools; and approximately $650,000 in the Magnet School grant account due to lower than anticipated attendance.

The gross deficiency of $3.5 million is comprised of $1 million in the Adult Education grant and a projected $2.5 million in the Excess Cost – Student Based Special Education grant. In both cases the newly submitted projected local expenditures exceed the projections originally submitted by the local districts. Both of these grant accounts are current year reimbursements and can fluctuate until final payments are made.

Department of Correction **$1,700,000**

The department was able to transfer $4 million from Personal Services to Other Expenses in order to cover costs associated with inmates housed out of state. It is anticipated that the department will lapse $1-2 million more in its currently available Personal Services funding. These unexpended Personal Services dollars are related to hiring delays and overtime reductions.

Department of Children and Families **$1,300,000**

Projections indicate that the Department of Children and Families will lapse approximately $1.3 million, or .29% of its originally appropriated budget of $445.9 million. While lapsing funds will occur in various accounts, the projected surplus can primarily be attributed to delays in new hires and revised caseload estimates.

General Fund Debt Service **$14,500,000**

A total lapse of $14.5 million is projected for General Fund debt service. This is a combination of $15 million in reductions or savings from five factors and an increase of $500,000 in one factor. The five factors showing reductions or savings were: (1) postponement of scheduled bond issues ($9.2 million), (2) lower premiums on previously issued bonds ($2.4 million), (3) interest rates that were lower than budgeted levels ($1.4 million), (4) a reduction in the amount budgeted for CHEFA day care bonds ($1.5 million), and (5) the savings from a cash defeasance done in the Transportation Fund on bonds originally issued through the General Fund ($500,000).

The postponement of scheduled bond issues included a $125 million nontaxable issue originally scheduled for November 1999 and a $100 million taxable issue scheduled for December 1999, both of which were rescheduled for February 2000. A $20 million tax incremental financing issue for New Haven was rescheduled from September 1999 to March 2000. The premiums were for bonds issued in December 1998, June 1999 and November 1999. And finally, the budgeted interest rate for variable rate bonds issued in May 1997 was 5% while the actual rate paid for this period was 4%.

The $500,000 increase was for arbitrage rebates, which is the penalty paid by the state to the federal government for borrowing bond funds at a lower rate and investing them at a higher rate. The increase reflects greater anticipated differences between the interest rate at which bonds were issued and the interest rate at which they are invested.

Unemployment Compensation **$1,000,000**

It is anticipated that this account will lapse $1 million. The unemployment account was budgeted to include funds for growth based on historical trends, which did not occur.

Employers Social Security Tax **$4,000,000**

This account is expected to lapse $4 million, which is 2.5% of the total appropriation of $156.2 million. Recoveries from other funds have been greater that anticipated due to the unexpected growth in the recovery wage base.

State Employees Health Service Cost **$6,000,000**

The State Employees Health Service Cost account is expected to lapse $6 million or 2.1% of the $281.8 million appropriation. A combination of factors is responsible for this lapse. First, recoveries from other funds have been greater than anticipated due to the unexpected growth in the recovery wage base. Secondly, the appropriation included funds for a vendor if the health plans experienced certain demographic shifts, which did not occur.

Hiring Freeze and Allotment Reductions **$21,200,000**

The governor anticipates that the hiring freeze (announced on September 1, 1999) and the allotment reductions (announced September 8, 1999) will save $21.2 million in the General Fund. He anticipates that the hiring freeze will cut 200 jobs and save $4 million and that the allotment reductions will save $17.2 million. It should be noted that these savings are intended to be in addition to the $24.6 million anticipated to be realized in the original budget plan from General Personal Services Reductions ($13.6 million) and General Other Expenses Reductions ($11 million).

II. Transportation Fund

Our projections for fiscal year ending June 30, 2000, indicate **the potential surplus from operations, based on revised estimated revenues, has grown by $40.8 million from the $52.9 million originally budgeted to $93.7 million** (which represents 11.4% of the original budget). This is an increase of $1.3 million from our February estimate. In accordance with Section 13b-68 of the General Statutes, (PA 97-309), the $94.2 million surplus would be used for debt retirement and the required fund balance of $20 million will be maintained as of June 30, 2000. These estimates have changed from our previous statement due to the mild winter season and its impact on the Snow and Ice Removal budget. Please refer to the FY 00 Transportation Fund Summary on **page 16**).

Revenues

Transportation Fund revenue is estimated at $901.8 million, which is an increase of $28 million over budget act estimates. (This represents no change from our February, 2000 statement). The most significant item affecting the revenue increase was the $16.2 million resulting from a cash defeasance of $81.8 million of Special Tax Obligation bonds done in December, 1999. The cash defeasance was structured to reduce expenditure requirements in years of peak debt service. A direct effect of such a debt service reduction is a reduction in the amount that the Transportation Fund is required by bond covenant to maintain in a debt service reserve fund. This amount is equal to the maximum projected debt service requirements needed in any future fiscal year. Thus, the reduction in projected debt service requirements resulted in the release of $16.2 million from the debt service reserve fund and the transfer of this amount to the Transportation Fund as revenue. (Please refer to the Revenue Schedule on **page 17**).

Expenditures

FY 00 estimated expenditures for the Transportation Fund are projected to be $808.1 million or $12.8 million lower than the budget act estimate of $820.9 million. Lapses are estimated to be $14.3 million higher than the $20 million originally budgeted, primarily due to an $18.9 million lapse from the $26.7 million carry forward from the FY 99 Reserve for Salary Adjustment account. The proposed budget allotment reduction totaling $1.8 million for both the Department of Motor Vehicles (DMV) and the Department of Transportation (DOT) is expected to be achieved by June 30, 2000. Debt Service is expected to lapse $5.8 million, ($3.8 million from lower expenditures and $2 million resulting from the above-mentioned defeasance). Unallocated lapses are estimated to total $7.8 million. This figure includes lapses due to the mild winter season and other savings as yet unidentified within the various Transportation Fund accounts. Historically, in mild winter seasons the DOT has obtained approval from the Finance Advisory Committee (FAC) to transfer available funds to the Highway and Bridge Renewal-Equipment account for the purchase of heavy equipment such as dump trucks, plows, etc. Should this request be made and approved by the FAC, the anticipated surplus could be substantially reduced. In FY 98 the agency transferred to the aforementioned account $7.1 million and in FY 99 the transfer totaled $6.3 million.

The deficiency bill, sHB 5216 (File 356), provides a $1.5 million appropriation to the Workers' Compensation account administered by the Department of Administrative Services (DAS). This is approximately 77.9% above the original appropriation. This account was transferred from the DOT's operating budget to DAS in July, 1999 to fund both the DOT's and the DMV's workers' compensation costs. The account is experiencing a shortfall due to the settlement of five cases and large medical payments, which were negotiated and settled.

The Metro North Personal Injury Claim for which $2 million was carried forward to FY 00 from the FY 99 Rail Operations appropriation was settled for $7 million in late Fall, 1999. As per contract agreement with the Metropolitan Transit Authority (MTA), the DOT's share of the claim is 65% or $4.6 million. However, since the MTA had made payments in kind to the plaintiff totaling $295,810 during the years the case was in negotiations, the DOT's remaining financial responsibility is $4.4 million. Since $2 million was carried forward into FY 00, the remaining payment of $2.4 million will be paid from funds that otherwise could have lapsed from this year's Rail Operations appropriation.

In addition, the pending claim from the Saturn Construction Co. concerning cost overruns for the DOT headquarters building in Newington was settled for $3.9 million. This account had been appropriated and carried forward into FY 00 from the FY 99 Transportation Fund surplus.

It is anticipated that the Reflectorized License Plate program will become fully operational by July, 2000. Only $250,000 of the $12.9 million appropriation from the FY 99 Transportation Fund surplus (for use during fiscal years 2000 and 2001) is expected to be expended by the end of the current fiscal year. Since the replacement of the 2.5 million existing plates will be completed over a two-year period, it appears that any balance of the funds will need to be carried forward into FY 02.

FY 00 Transportation Fund Summary
as of April 3, 2000
(In Millions)

	Budget Plan	Increases (Decreases)	Revised Estimates
Revenues			
Taxes	$ 540.5	$ 6.1	$ 546.6
Other Revenue	333.3	5.7	339.0
Release from Debt Service [1]	0.0	16.2	16.2
Total Estimated Revenues	$ 873.8	$ 28.0	$ 901.8
Appropriations			
Original Appropriations – Gross	$ 840.9	$ 0.0	$ 840.9
Plus: Estimated Deficiency Appropriation - Workers' Compensation	0.0	1.5	1.5
Less: Additional Estimated Lapses	0.0	(14.3)	(14.3)
Unallocated Lapses	(20.0)	0.0	(20.0)
Total Estimated Lapses	(20.0)	(14.3)	(34.3) [2]
Total Estimated Expenditures	$ 820.9	$ (12.8)	$ 808.1
Projected Surplus from Operations for FY 00 [3]	**$ 52.9**	**$ 40.8**	**$ 93.7**
Plus: Available Fund Balance (Required per Section 13b-68) [3]	**20.0**	**-**	**20.0**
Cumulative Surplus as of June 30, 2000	**$ 72.9**	**$ 40.8**	**$ 113.7**
Less: Reserve for Debt Retirement [3]	52.9	40.8	93.7
Fund Balance as of June 30, 2000 [3]	**$ 20.0**	**$ 0.0**	**$ 20.0**

[1] As the result of the $81.8 million cash defeasance on 12/22/99, $16.2 million was released from the Debt Service Reserve Fund.

[2] The breakdown of the Total Estimated Lapses is as follows: Agency Allotment Reductions, $1.8 million; Debt Service, $5.8 million; Reserve for Salary Adjustment, $18.9 million; Unallocated Lapses, $7.8 million.

[3] Please note that Sec. 13b-68, CGS requires that amounts in excess of $20 million be used by the State Treasurer to reduce the future cost of Special Tax Obligation (STO) debt service. On 12/22/99, the Office of the State Treasurer completed a cash defeasance of $81.8 million which used the combined surplus from FY 98 and FY 99 and left a balance of $1.5 million.

FY 00 Transportation Fund Revenues
as April 3, 2000
(in thousands)

	FY 00 Budget Plan	OFA Over/(Under) Budget Plan	FY 00 OFA Estimate
TAXES			
Motor Fuels Tax	$ 500,000	$ 6,100	$ 506,100
Petroleum Products Tax	36,000	0	36,000
Sales Tax - DMV	10,000	0	10,000
Refunds of Taxes	(5,500)	0	(5,500)
Total - Taxes Less Refunds	**$ 540,500**	**$ 6,100**	**$ 546,600**
OTHER SOURCES			
Motor Vehicle Receipts	$ 185,800	$ 3,200	$ 189,000
Licenses, Permits, and Fees	111,000	2,000	113,000
Interest Income	36,000	0	36,000
Federal Grants (FTA)	2,500	500	3,000
Release from Debt Service Account	0	16,200	16,200
Transfer to Conservation Fund	(2,000)	0	(2,000)
Total -Other Sources	**$ 333,300**	**$ 21,900**	**$ 355,200**
Total Revenue	**$ 873,800**	**$ 28,000**	**$ 901,800**